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Canada, Railways, Canals and
Telegraph Lines, Standing Committee, 1951
1st sess

SESSION 1951

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman—MR. L. O. BREITHAAPT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

BILL 376

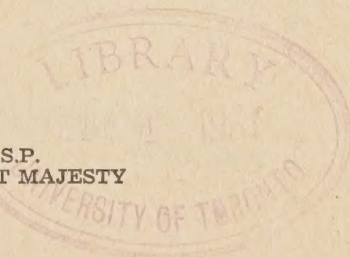
An Act respecting the construction of a line of railway by Canadian
National Railway Company from Sherridon to Lynn Lake,
in the Province of Manitoba.


TUESDAY, JUNE 19, 1951

WITNESSES:

The Hon. L. Chevrier, Minister of Transport;
Mr. S. W. Fairweather, Vice-President of Research and Development,
C.N.R., Montreal, P.Q.;
Mr. A. B. Rosevear, Assistant General Solicitor, C.N.R., Montreal, P.Q.

OTTAWA
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1951





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ORDERS OF REFERENCE

FRIDAY, June 8, 1951.

Ordered,—That the following Bill be referred to the said Committee:—

Bill No. 356 (Letter C-11 of the Senate), intituled: "An Act respecting Canadian Pacific Railway Company".

MONDAY, June 18, 1951.

Ordered,—That the following Bill be referred to the said Committee:

Bill No. 376, An Act respecting the construction of a line of railway by Canadian National Railway Company from Sherridon to Lynn Lake, in the Province of Manitoba.

TUESDAY, June 19, 1951.

Ordered,—That the name of Mr. Conacher be substituted for that of Mr. Goode on the said Committee.

Ordered,—That the name of Mr. Thomson be substituted for that of Mr. MacDougall on the said Committee.

Ordered,—That the name of Mr. Cannon be substituted for that of Mr. Laing on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

TUESDAY, June 19, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

NINTH REPORT

Your Committee has considered Bill No. 376, An Act respecting the Construction of a line of railway by Canadian National Railway Company from Sherridon to Lynn Lake, in the Province of Manitoba, and has agreed to report it with an amendment.

All of which is respectfully submitted.

L. O. BREITHAUP, *Chairman.*

TUESDAY, June 19, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

TENTH REPORT

Your Committee has considered Bill No. 356 (Letter C-11 of the Senate), intituled: "An Act respecting Canadian Pacific Railway Company", and has agreed to report it without amendment.

All of which is respectfully submitted.

L. O. BREITHAUPT,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, June 19, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines met at 11.30 o'clock a.m. Mr. Breithaupt, Chairman, presided.

Members present: Applewhaite, Beyerstein, Bourget, Brown (*St. John's West*), Byrne, Carter, Chevrier, Darroch, Follwell, Gourd (*Chapleau*), Green, Herridge, James, Jones, Macdonald (*Edmonton East*), McCulloch, McGregor, Mott, Murphy, Murray (*Cariboo*), Richard (*St. Maurice-Lafleche*), Robinson, Ross (*Hamilton East*), Smith (*Queens-Shelburne*), Stuart (*Charlotte*), Thomas, Weaver, Whiteside, Whitman.

The Committee considered Bill No. 356 (Letter C-11 of the Senate), intituled: "An Act respecting Canadian Pacific Railway Company".

In attendance: Mr. J. Decore, M.P., Sponsor of the Bill; Mr. Cuthbert Scott, Parliamentary Agent for Petitioners, Ottawa, Ontario; Mr. K. D. M. Spence, Law Department, C.P.R., Montreal, P.Q.; Mr. S. A. Fraser, Vice-President, Alberta Coal Company, Calgary, Alberta.

Mr. Scott was called, made a short statement and introduced Mr. Spence and Mr. Fraser.

Mr. Spence was called, made a statement and was questioned regarding the project contemplated in the Bill.

Mr. Fraser was called and questioned.

The Preamble, Clause I and the Title were severally considered and adopted.

Ordered,—To report the Bill without amendment.

(Verbatim evidence was not taken with respect to this Bill).

The Committee then considered Bill No. 376, an Act respecting the construction of a line of railway by Canadian National Railway Company from Sherridon to Lynn Lake, in the Province of Manitoba.

In attendance: The Hon. L. Chevrier, Minister of Transport; Mr. S. W. Fairweather, Vice-President of Research and Development, C.N.R., Montreal, P.Q.; Mr. A. B. Rosevear, Assistant General Solicitor, C.N.R., Montreal, P.Q.

Mr. Chevrier made a general statement in explanation of the project contemplated in the Bill and was questioned thereon.

Mr. Fairweather was called, made a detailed statement regarding the project, as outlined by the Minister, with particular reference to its practicability from a construction, engineering and economic point of view; potential natural resources in the area and the proposed method of financing the undertaking.

Clauses 1 to 8 inclusive were severally considered and adopted.

By unanimous consent the Committee reverted to Clause 7 and after discussion the said Clause was adopted.

On Clause 9:

Mr. Rosevear was called and questioned. The Witness, on request, made a short statement in explanation of Sub-clause (1) of Clause 7.

On motion of Mr. Green:

Resolved,—That the words “and station grounds” appearing in the second line of Clause 9 be deleted.

Clause 9 as amended was adopted.

The Schedule and Title were severally considered and adopted.

Ordered,—To report the Bill as amended.

At 1.05 o'clock p.m. the Committee adjourned, to meet again at the call of the Chair.

R. J. GRATRICK,
Clerk of the Committee,

EVIDENCE

June 19, 1951.

The CHAIRMAN: We have for consideration Bill No. 376, an Act respecting the construction of a line of railway by the Canadian National Railway Company from Sherridon to Lynn Lake, in the province of Manitoba.

We are glad to have the minister with us and, if it is your wish, he will give a brief outline of the project.

Agreed.

Hon. Mr. CHEVRIER: Mr. Chairman, and gentlemen. Those of you who were in the House for the discussion concerning the resolution and again yesterday on second reading of the bill will have a good general idea of the circumstances surrounding this line. I think the matter can be divided into four parts. First is the agreement reached by the Canadian National Railway with the Sherritt Gordon Company, which was outlined in some detail on both those discussions which I need not repeat here. The gist of it is the construction of the line a distance of 155 lines from Sherridon in the province of Manitoba to Lynn Lake in the same province. The cost of the line is \$14,725,000, \$10 million of which is to be advanced by the Canadian National Railway and the balance, the remainder, by the minister of the Department of Defence Production. That is the second part of this project, namely the agreement between the Canadian National Railway and the Department of Defence Production for the payment of any excess over \$10 million—which was estimated at \$4,725,000. The third matter is the reason for the construction of the line. Important nickel and copper deposits have been discovered and explored by the Sherritt Gordon Company on their property in northern Manitoba. The final matter concerns speed of construction. Time is of the essence because, as everyone knows, the construction period in that part of Canada is short and the Canadian National Railway is anxious to get ahead with it—subject of course to the approval of parliament through this committee.

The officers of the Canadian National Railway are here this morning. We have Mr. Fairweather who is vice-president of the Department of Research and Development of the Canadian National Railway. He has had a great deal of experience with reference to these lines. It was he who gave evidence in connection with the Barraute-Kiask Falls line approved by parliament three or four years ago. With him, and associated with him, is Mr. Rosevear, general solicitor for the Canadian National Railway.

The CHAIRMAN: Is it the wish of any member of the committee to ask any general questions of the minister before we proceed with the other witnesses?

Mr. GREEN: Well, Mr. Chairman, might I ask the minister why it is that in the bill there is no mention at all of Sherritt Gordon Mines Limited? This is a co-operative plan. Apparently the mining company is to pay back in the course of twenty years a total of \$7 million at the rate of \$350,000 a year and, as the scheme is based on an agreement between the railway and the mining company, it would seem to me there should be a section in the bill which makes the whole plan subject to an agreement between the Canadian National Railway Company and Sherritt Gordon Mines Limited. The agreement can perhaps be made a schedule to the bill. There is no reference at all in the bill to the mining company and no reference to the Department of Defence Production. I think for the purposes of clarity, if for no other reason, the whole picture should be given in the bill.

Hon. Mr. CHEVRIER: Well, Mr. Chairman, there is more than one reason why the agreement is not referred to specifically in the bill. In the first place, the draft of this bill was given careful consideration by our legal officers and by the legal officers of the Department of Justice. They decided against inclusion of such a clause. Next, of course, although there will not be the slightest objection to producing it, there is the agreement. I have a copy of it in my file and I am sure Mr. Fairweather will have it and be quite willing to give it to the committee. The Canadian National Railway feels when they enter into an agreement of this nature with a private company that the agreement should not be made public, because it contains other matters which might prejudice the Canadian National Railway and give information to their competitors—information which they are not entitled to receive.

In the case of the construction of the line out of the National Transcontinental from Barraute to Kiask Falls there was a similar agreement with the Canada Paper Company, I think it was. The same reason was then given for not including it in the bill, and that bill was practically the same as this. There have been other cases of bills coming before parliament where the agreement has not been annexed to the bill as an exhibit, and I hope the committee will accept that explanation. There will probably be other cases too where, because of private agreements made by the Canadian National Railways and other corporations, it would be in their interests not to make public the contents of the agreements.

As I say, there is nothing that the Canadian National Railway is not willing to disclose, and the agreement will be discussed in a few minutes.

Mr. GREEN: Even if the agreement is not made a schedule, is there any objection to setting out in the bill that it is subject to an agreement between the railway company and the mining company?

Hon. Mr. CHEVRIER: I would like to hear what the solicitor for the railway company would have to say to that. I am sure that was given consideration. I know that the Department of Justice gave careful consideration to this bill, held it up quite some time, and had a number of discussions on it before they decided on this form. The form of this bill is almost identical with that for the Barraute-Kiask line.

Mr. APPLEWHAITE: Before the solicitor for the company is called, this question comes to my mind. It is perhaps not exactly germane to the bill, but I wonder if the minister can tell us whether the government or the Canadian National Railways or anybody else has any plans or any ideas as to what may be the future of the existing community of Sherridon? The situation which is going to result is not going to be brought about by the bill but it is brought about by the facts which lead up to this bill. Some of us had the pleasure a short while ago of visiting that community and I just wonder if there is any information that the government or the Canadian National Railways have as to the future of that community—what the future is liable to be when this line is built?

Hon. Mr. CHEVRIER: Well, my information is that a large part of the community, the equipment, the plant, and so forth, will be moved from Sherridon to Lynn Lake—and with it a number of the workers. What will remain there I am unable to say, but Mr. Fairweather will perhaps give us the latest information.

Mr. WEAVER: I would like to ask the minister if the sum voted by parliament could be considered at all analogous to the land grant for early railroad development? Nearly all of the railroads in the country were assisted by public funds, and could this sum be considered analogous?

Hon. Mr. CHEVRIER: I would think not. This is an entirely different proposal and it is based on the economies of the agreement which was made with Sherritt Gordon which, in the minds of the C.N.R., is a profitable one in so far as a portion of the expenditure here is concerned.

Mr. BROWNE: May I ask a question? I assume that the balance of the \$4,725,000 would be paid under the authority given to the Department of Defence Production?

Hon. Mr. CHEVRIER: That is right.

Mr. BROWNE: That is why it is not covered in the bill?

Hon. Mr. CHEVRIER: That is right.

Mr. MURRAY: In the old days there would be twenty miles of land on each side of the railway given as a bonus. You do not anticipate anything of that sort here?

Hon. Mr. CHEVRIER: No, sir.

The CHAIRMAN: If there are no further questions of the minister we will call on Mr. Fairweather, vice-president of research and development, Canadian National Railways. Perhaps he could come forward.

Mr. FAIRWEATHER: Well, Mr. Chairman and members of the committee, this line which is referred to in the bill is a line which has been under consideration by the Canadian National for, I would say, at least four years. When Sherritt Gordon made this nickel discovery to the north of Sherridon they came to the Canadian National and asked the terms upon which a railway might be built. We outlined to them what we thought were reasonable requirements regarding how much ore they would have to have in sight. They went ahead with the exploration of their property and when they had developed 14 million tons of ore, the Sherritt Gordon Company came to us and asked whether we would now consider the construction of a line. The agreement worked out against the background of the emergency in nickel is the result, and we have satisfied ourselves that the ore is in fact there.

I flew up to the area myself. All of the records which the mining company possessed were made available for our inspection and we had them reviewed by a competent mining engineer. So, we could proceed with some assurance that the mine was in effect a large mine, big enough to justify the construction of a railway. We also made a very thorough canvass of the area which would be served, to determine whether there were any other natural resources. While we found that there was quite a considerable amount of mineral occurrences—there must be fifteen or twenty prospects—none of them at this stage could be said to be a mine or even any more than prospects. The territory in and around the Lynn Lake area is, however, undoubtedly good prospecting country. We also examined the forest resources which are very scanty. There are no agricultural possibilities at all. There is the possibility of some commercial fishing developing in the lakes lying to the north of Lynn Lake.

We evaluated all those factors and stated the terms to Sherritt Gordon under which a line would be built. Those terms were incorporated in an agreement which has been executed by the Sherritt Gordon Company and the Canadian National Railway.

Mr. FOLLWELL: I wonder if Mr. Fairweather could tell us if there are any more than 14 million tons of ore blocked out now?

Mr. FAIRWEATHER: There are not more than 14 million tons of ore blocked out, but I may say this—and I speak, I believe, with a degree of competence in this matter, and certainly with the advice of mining engineers. The ore bodies are extensive and some of them are open at the ends—that is, they have not been de-limited. I think it would be a most extraordinary situation if, when the mine is opened up, further exploration did not develop very considerably more ore than the 14 million tons. Actually, the economics have been worked out on the basis of the 14 million tons, but I would say that the prospects of mining more than 14 million tons are very, very good.

The CHAIRMAN: You have set up some charts and maps. Is there anything else you would like to show the committee? I am sure they are very interested.

Mr. FAIRWEATHER: If the committee is interested, here is Lynn Lake. You will see it is up in northern Manitoba. There have been arrows placed on this map to show the direction in which the traffic would flow from Lynn Lake. This arrow shows that the concentrates which would be produced at Lynn Lake would be shipped out to Edmonton for processing. There they would be processed into nickel, some small amount of copper, and cobalt. There would be a by-product, ammonium sulphate which is a fertilizer for markets the world over. The ammonium sulphate would move out to Vancouver for shipment to world markets as one possibility, and of course it may also be distributed all over Canada for use in Canada. There would be some small shipments of by-products, of concentrates, down to the refinery at Butte in the United States. The nickel is mostly to be moved from Edmonton to Pittsburgh, and to Montreal for export. The copper concentrates which would be produced at Lynn Lake would move to Flin Flon where they would be made into copper; thence to Montreal. You can see from the map what wide distribution products of the development at Lynn Lake would have.

Now, this map shows the location of the line. It starts from Sherridon and runs almost due north 155 miles to Lynn Lake. The territory from Sherridon as far as the Churchill river is very rough and rugged indeed. It is practically nothing but barren, solid rock, but when you get across to Churchill river, which is crossed at this point here—Pugatowagan Falls—the country gradually gets easier for railroading, and the last fifty or sixty miles of the line is not too difficult for construction. Generally speaking though, the line is a pretty tough proposition to build.

We have given an undertaking to have the line available for the shipment of concentrates out of Lynn Lake by the fall of 1953, the late fall of 1953. We could only meet that deadline by doing a lot of preliminary work. That preliminary work was undertaken by the Canadian National in advance of any authority, but the Canadian National protected its position by making an agreement with the Sherritt Gordon Company that Sherritt Gordon pay the expense of all that preparatory work in the event that the line was not built. With that initial preparatory work going on we think there is a reasonable prospect of shipping from Lynn Lake by the late fall of 1953.

As a matter of interest, this chart shows places where mineral discoveries have been made as prospects—not mind you, as mines, but as prospects. You will see there are some thirty of them scattered around the northern part of the line within a distance of twenty or thirty miles of Lynn Lake.

The commercial fishing to which I made reference would be found in Reindeer Lake or Grand Lake and some of the other smaller lakes up in that country.

Over here we have for your information a sketch showing the nature of the development work that Sherritt Gordon has undertaken. You will see here that they have a number of ore bodies—one, two, three, four ore bodies. These ore bodies are all geologically related to a fault which passes through this country and also to a very basic intrusion which is usually associated with nickel. One of these bodies is a very rich body and that particular one has been de-limited. The others are not so rich but they are more extensive and they have not been de-limited. It is because these other ore bodies have not been de-limited that I have made my prediction that more than 14 million tons of ore will be found. The property really has much more potential tonnage in it than is indicated by the 14 million tons.

Next, we have here a chart showing what is going to be produced if the typical performance is lived up to. You see there will be 81,000 tons of nickel concentrate produced at the mine; there will be 12,000 or 13,000 tons of copper

concentrate; we expect to have about 1,800 tons of fish; and about 1,000 tons of miscellaneous shipment. I have already told you that the copper concentrates will move to Flin Flon, the nickel concentrates will move to Edmonton; and moving out of Edmonton we find there will be 8,400 tons of refined nickel, 100 tons of cobalt, and about 1,500 tons of a copper sulphite concentrate. That copper sulphite concentrate will move to Butte, Montana, for further treatment. The other materials will move to Pittsburgh and the ammonium sulphate will move to Vancouver.

Mr. MURPHY: Is that over the life of the agreement?

Mr. FAIRWEATHER: Those would be annual shipments, and it would take about sixteen years, actually, to mine out the ore body at the designed rate. We have estimated our economics on the basis of life of the mine of twenty years.

Down here is detail of other traffic which we expect and it adds up to a total revenue of \$2,900,000—and the total tonnage would be 194,000. So, you will see that it is a fair-sized enterprise.

The remainder of our exhibits simply consist of some photographs which do give in a very clear fashion an idea of what Sherritt Gordon have already poured into this property. They have put close to \$6 million into development work and experimental work, so this is on quite a firm foundation.

Here you will see a general air view of Lynn Lake. There is a lake in the foreground and the country is generally sparsely wooded, with muskeg and swamp. It is an unprepossessing country. When you walk over it and think of the wealth that lies in the mineral beneath the ground, and when you are as I was 150 miles north of any railway, you cannot help but have a degree of admiration for the people who had the courage to go into that country and develop the property.

Here is the picture showing the pilot plant which has been constructed right here in Ottawa to treat the concentrates. The process is a new one and it bears every evidence of being successful and means a further step in mining and metallurgical technique.

This is a picture showing the actual development as it looks today. There is the mine here, with the shaft, and the staff houses—for the employees—and the shops of one kind and another. I believe that right at the mine they have spent over \$5 million. Here is a winter scene. That is Lynn Lake again, and here is the staff house and so forth.

Here we have a picture of a power development which they have in prospect for developing the power to serve the mines. That power plant, I understand, will cost around \$3 million.

The whole enterprise, I may say, from the point of view of investment, taking the railway and the mine together, adds up somewhere in the neighbourhood of nearly \$50 million. There is not the slightest doubt that the wealth is there to justify the expenditure.

Mr. MURRAY: Mr. Fairweather, would you mind indicating on the map the nearest point of the Northern Alberta Railway to that development?

Mr. FAIRWEATHER: I am afraid I will have to show it on the small map.

Mr. MURRAY: Well, there is a large map here on the wall.

Mr. FAIRWEATHER: Yes, I can use that one. You will see Waterways on the Northern Alberta Railway and Lynn Lake is over here.

Mr. BROWNE: On the other side of Reindeer Lake?

Mr. FAIRWEATHER: Right in there.

Mr. STUART: How far would it be from Lynn Lake to Hudson Bay?

Mr. FAIRWEATHER: About 140 miles, I would say, from Lynn Lake to the Hudson Bay Railway. We looked into the possibility of building a branch line

off the Hudson Bay Railway instead of from the end of the present line at Sherridon, but the economics did not work out. Straight across as the crow flies, I suppose it would be perhaps 150 miles or so to Hudson Bay. From Lynn Lake over to the Northern Alberta Railway I would say would be 600 or 700 miles or more.

Mr. MURRAY: That is generally a mineralized area in there, is it not, Mr. Fairweather?

Mr. FAIRWEATHER: Well, there is not too much known about it. There has been intensive prospecting in the territory around Lake Athabaska and in Slave Lake, and there has been very intensive prospecting around Lynn Lake which is here. In between, as far as we can find, there has only been sporadic prospecting.

Mr. MURRAY: The tar sands are in that area, are they not?

Mr. FAIRWEATHER: The tar sands, sir, are down here. They lie on the Athabaska river below Waterways. They start at Waterways and go down the Athabaska river for perhaps fifty miles, but they are a good long way from the area we are talking about.

Mr. MURRAY: Where does the Pacific Great Eastern Railway come in there?

Mr. FAIRWEATHER: The Pacific Great Eastern is over in British Columbia here, and it runs up—

Mr. MURRAY: It runs to Prince George.

Mr. FAIRWEATHER: Yes. It is let us say 'thousands' of miles away.

Mr. MURRAY: Well, hardly.

Mr. FAIRWEATHER: Well, I would say it is a good thousand miles.

Mr. MURRAY: That phantom map you have over there shows a railway running right down to Vancouver?

Mr. FAIRWEATHER: I beg your pardon?

Mr. MURRAY: You show a railway running in a straight line from your project?

Mr. FAIRWEATHER: Those are not railways; those lines are as the crow flies—

Mr. MURRAY: Just hopes?

Mr. FAIRWEATHER: No, it was just intended to show where the traffic would move.

Mr. MURRAY: I would ask you this. Do you visualize in time that these railways in the north may be connected up to run to Vancouver?

Mr. FAIRWEATHER: Well, sir, I am a development officer of the Canadian National Railway and I have great faith in the wealth of our Precambrian Shield. I would hesitate to say at what time the various developments would take place, but I certainly believe that we have only begun to scratch the wealth in our great Laurentian Shield which cuts across the northern end of Alberta, the northern part of Saskatchewan, the northern part of Manitoba swings down and takes in all of northern Ontario, cuts across near Montreal runs up on the north side of the St. Lawrence, clear up to Ungava.

Mr. BROWNE: What about Newfoundland, have they not got it there?

Mr. FAIRWEATHER: In Newfoundland you have not got the Precambrian Shield.

Mr. BROWNE: We have some of it.

Mr. FAIRWEATHER: You have some, but it is not the Laurentian Shield. There are Precambrian deposits in Newfoundland.

Mr. BROWNE: The Buchan mines are similar to those?

Mr. FAIRWEATHER: Yes, it is one of the richest mines in the world.

Mr. GREEN: Where is the uranium deposit in northern Saskatchewan?

Mr. FAIRWEATHER: That is a little outside of my field although I know there is one of them up at Bear Lake, up beyond my pointer. Then, there is another one that is being explored somewhere in this vicinity in Goldfields up around Slave Lake.

The CHAIRMAN: Nowhere near this projected railway.

Mr. GREEN: Is there not one in northern Saskatchewan that has been discovered recently?

Mr. FAIRWEATHER: There have been all kinds of prospects but I took it that what was being referred to was substantial development. Actually, uranium is found literally in hundreds of places in this vast Laurentian Shield I have spoken of. One rather interesting development was right down here in Ontario, around the Canadian National lines in eastern Ontario. There was a prospect but it turned out to be a flash in the pan—but for a moment we thought we had something.

The CHAIRMAN: I would say this is all very interesting but I think we should discuss the various aspects of this railroad and not get into the whole question too deeply. We realize, however, that we have a very capable witness.

Mr. GREEN: You have a red dotted line running from Lynn Lake down to the foot of Lake Michigan. You did not explain what that is for.

Mr. FAIRWEATHER: That is simply indicating the 1,000 tons of fish that would be moving down to markets in Chicago. It is a part of industry which would benefit from this line.

Mr. GREEN: What power is to be used in the refinery at Edmonton?

Mr. FAIRWEATHER: What power?

Mr. GREEN: Where do they get their power? Is it natural gas?

Mr. FAIRWEATHER: Well, their process will require large amounts of ammonia, and that ammonia will be made in an ammonia plant using natural gas as its basis. As to their power requirements they can buy them from present suppliers of power or they can put up their own power plant.

Mr. GREEN: But natural gas is the basis for the refining?

Mr. FAIRWEATHER: Natural gas is the basis for the refinery and the reason that it would go to Edmonton.

Mr. MOTT: Mr. Fairweather, Sherritt Gordon is the company that would build the smelters?

Mr. FAIRWEATHER: Sherritt Gordon Mines, yes.

Mr. WEAVER: What value will the old townsite of Sherridon be as a divisional point? Will it have any value along that line?

Mr. FAIRWEATHER: I am afraid it will have no value. I understand the mining company proposes to practically pick the townsite up holus bolus and move it to Lynn Lake—houses and everything else. In so far as this operation is concerned Sherridon will just be a flag stop.

Mr. WEAVER: Will Cranberry Bridge be a stop?

Mr. FAIRWEATHER: Well, of sorts. Actually, the operation will not be a very big one because I think we would only have a train on this line about three days a week.

Mr. WEAVER: There are a lot of facilities at Sherridon that cannot be moved—such as waterworks. Would there be any value at all to them—derived from the railway?

Mr. FAIRWEATHER: I would not think so. Mind you, there is a townsite there and if anybody can turn up something of economic value, the townsite would have some value for that purpose. As far as the railway is concerned we have not taken Sherridon into consideration as being part of the picture at all.

Mr. BROWNE: I notice in your charge for tons the figure is about \$10 a ton on the ammonium sulphate, on the refined nickel it is about \$26 a ton, and on cobalt you have got \$197 a ton. Why are you charging so much for the cobalt?

Mr. FAIRWEATHER: Cobalt is very much more valuable.

Mr. BROWNE: That does not make any difference.

Mr. FAIRWEATHER: Well, one of the elements in making a freight rate is the value of the commodity.

Mr. BROWNE: It costs \$197 a ton to bring cobalt in?

Mr. FAIRWEATHER: No, that is the revenue to the railway.

Mr. BROWNE: For 100 tons of cobalt?

Mr. FAIRWEATHER: Yes, we propose to get that amount of revenue from the movement of 100 tons of cobalt but it does not represent our cost. We simply say that cobalt, being a very valuable commodity, having a value of \$2, or \$3 a pound; can afford to pay a big freight rate and therefore we charge a big freight rate. On the other hand, on ammonium sulphate which is a cheaper commodity we charge a low rate.

Mr. BROWNE: On copper sulphate you do not charge anything?

Mr. FAIRWEATHER: Well, the rate on that is not yet set.

Mr. BROWNE: The same as on the sulphate?

Mr. FAIRWEATHER: I do not know what it is.

Mr. BROWNE: Your total revenue here would be \$2,904,000?

Mr. FAIRWEATHER: Yes.

Mr. BROWNE: That is gross revenue?

Mr. FAIRWEATHER: Gross revenue.

Mr. BROWNE: Have you estimated what your costs are?

Mr. FAIRWEATHER: Yes.

Mr. BROWNE: What are they?

Mr. FAIRWEATHER: Well, the costs of our whole project are such that after we have paid all of our expenses—and it gets complicated because one has to distinguish between average costs and out of pocket costs, but let me see—after we have paid all of our costs we anticipate we will have a small amount left over from operations.

Mr. BROWNE: How much?

Mr. FAIRWEATHER: About \$200,000—that is after out of pocket expenses.

Mr. BROWNE: After you have paid your operating expenses you will have \$200,000 left?

Mr. FAIRWEATHER: Out of pocket expenses.

Mr. BROWNE: After you have paid the out of pocket expenses you say you will have \$200,000 left?

Mr. FAIRWEATHER: \$200,000 to \$250,000.

Mr. BROWNE: Those operating expenses include interest on capital and depreciation?

Hon. Mr. CHEVRIER: Yes.

Mr. FAIRWEATHER: That is right.

Mr. BROWNE: You say depreciation?

Mr. FAIRWEATHER: Yes.

Mr. BROWNE: How much depreciation are you allowing?

Mr. FAIRWEATHER: We depreciate this particular railway over the life of the mine—twenty years.

Mr. BROWNE: The life of the mine is supposed to be twenty years?

Mr. FAIRWEATHER: That is what we estimate.

Mr. FOLLWELL: I was interested in that \$200,000. Is that a yearly profit to the railway?

Mr. FAIRWEATHER: It is not quite fair to call it that. It is the contribution that is made to general overhead on the rest of the system and, obviously, it was because we have such a small margin that we had to ask Sheritt Gordon to put up something in the form of a guarantee of traffic, and thereby arises the agreement to which I made reference earlier.

If the best picture we could get out of this was \$200,000—on a project of this size—it practically meant that we would be out of pocket really, and therefore we had to do something about it. Now, we entered into an agreement with Sheritt Gordon whereby they contributed an amount of money per year and then, if their mine is bigger than present indications show, or if other mines develop in the territory so that the need for this payment ceases, then, under certain conditions, Sheritt Gordon will be refunded part of the money they have advanced. It is a straight business deal that was made to balance our books and to give us a reasonable chance of not burdening the country with a dead loser.

Mr. MURPHY: I was wondering if this witness could answer financial questions?

The CHAIRMAN: About the agreement?

Mr. MURPHY: No, about finances.

The CHAIRMAN: I think so. Ask him.

Mr. MURPHY: I was wondering, Mr. Fairweather, in the financing of this proposed railway—and I know the minister made a statement in the House the other day but I would just like to get it clarified—in the first place Sheritt Gordon invested no capital in the railway?

Mr. FAIRWEATHER: That is right.

Mr. MURPHY: And they did undertake to ship a certain amount per year from which you get a certain rate per ton?

Mr. FAIRWEATHER: They undertook to build a mine, a concentrator, and a smelter; and they undertook to give us all their traffic.

Mr. MURPHY: Yes, and you estimate that—you gave the figures a little while ago?

Mr. FAIRWEATHER: Yes.

Mr. MURPHY: From that you have arrived at the revenue from that particular mine?

Mr. FAIRWEATHER: Yes.

Mr. MURPHY: And from other sources of revenue?

Mr. FAIRWEATHER: Yes.

Mr. MURPHY: There is one point which I just did not get clear in my mind. Perhaps the rest of the members of the committee did, but I refer to this refund. Would you explain that again?

Mr. FAIRWEATHER: It is really quite simple. They undertake to pay us a sum of money—\$350,000 a year for a period of twenty years—and, if during the life of the mine or thereafter, either from that mine or from other mines, further traffic arises then we will pay back to them \$2.65 a ton on every ton of traffic moving outbound over the line in excess of 1,880,000 tons, until such time as \$5 million has been refunded to Sheritt Gordon. In effect it simply means that Sheritt Gordon is bound to pay over twenty years \$7 million, but they have a chance of recovering back \$5 million.

Mr. MURPHY: By further development?

Mr. FAIRWEATHER: Yes, by further development.

Mr. MOTT: The total cost of the line is \$14 million?

Mr. FAIRWEATHER: \$14,725,000.

Mr. MURPHY: Would you have any idea how much Sherritt Gordon is spending in there?

Mr. FAIRWEATHER: I thought I made that point already. They have already spent between \$5 million and \$6 million and they will need another \$10 million at the mine. I think it is about \$19 million in the refinery.

Mr. MURPHY: I am just not clear on this \$2.65 a ton. You went pretty fast there for a moment. That is a refund by the Canadian National Railway?

Mr. FAIRWEATHER: Yes.

Mr. MURPHY: Over and above a certain tonnage?

Mr. FAIRWEATHER: Yes. If there is 1,880,000 total tons of concentrate, when that point is reached—or other traffic—immediately that 1,880,000 total tons of freight has been shipped out of the property we start to pay \$2.65 a ton on tonnage in excess of that figure until such time as \$5 million has been refunded.

Mr. MURPHY: After that it is discontinued?

Mr. FAIRWEATHER: After that, very definitely.

Mr. MCGREGOR: You pay that, or do you lower the rate?

Mr. FAIRWEATHER: No, sir. We pay it. This arrangement has not the slightest connection with rate. Rates on the commodities are the published tariff available to everybody. They are not private rates.

Mr. FOLLWELL: When you mentioned \$2.65 which you are going to pay back on tonnage shipped out, that is shipped out to where? Does it have to be shipped to Sherridon, or to Edmonton or to where?

Mr. FAIRWEATHER: Just shipped off the line.

Mr. FOLLWELL: They might just ship it down to a new development twenty miles away?

Mr. FAIRWEATHER: That is possible.

The CHAIRMAN: Are you ready for the consideration of the bill?

Agreed.

Shall clause 1 carry?

Carried.

Clause 2?

2. The Company shall adopt the principle of competitive bids or tenders in respect of the construction of the railway line in so far as the Company decides not to perform such work or any part thereof with its own forces, but the Company is not bound to accept the lowest or any bid or tender made or obtained nor precluded from negotiating for better prices or terms.

Mr. GREEN: On clause 2, why is there this provision that the lowest tender need not be accepted?

Mr. McCULLOCH: It is in every contract.

Mr. GREEN: Why do you put that in?

Hon. Mr. CHEVRIER: That clause may be divided into two parts.

Mr. GREEN: Why is it necessary to pay any attention to "lowest tender" or to the size of the tender if there is this wide open provision?

Hon. Mr. CHEVRIER: There are two reasons for the clause. First, the railway wants to protect the position of perhaps having to do some of the work with its own forces. I do not think that will be done. The other part of the clause is in there because this is isolated territory and it is very difficult to get people to tender, and it may be that the lowest tenderer is not able to complete

the work, so the Canadian National Railways want to be in a position, even although the lowest tenderer says he can do it for X dollars, to give it to someone who wants X plus one dollar. This clause is almost identical with the clause that was put in the Act for the Barraute-Kiask line. It is also brought to my attention that the time element is another factor which enters into the question, because some contractors may be willing to do it in four years, and that will not be acceptable.

The CHAIRMAN: Shall clause 2 carry?

Carried.

Shall clause 3 carry?

3. Estimates of the mileage of the railway line, the amount to be expended on the construction thereof and the average expenditure per mile are set out in the Schedule, and, except with the approval of the Governor in Council, the Company shall not in performing the work of construction and completion exceed such estimates by more than fifteen per centum.

Mr. GREEN: In clause 3 there is a provision for an amount in excess of the estimated figure up to 15 per cent. If it does cost that additional percentage will that affect the terms of the contract accordingly?

Hon. Mr. CHEVRIER: Well, it will not affect the terms of the contract with Sheritt Gordon, because the Canadian National Railways are bound to pay \$10 million and any excess will be paid by the Department of Defence Production. That excess is estimated at \$4,725,000. Now, I imagine the officers of the railway who prepared this estimate prepared it pretty carefully, and the 15 per cent is put in there as a protection. I think in the Barraute-Kiask line the corresponding figure was 20 per cent. It is usual, I understand, to put an amount like this in.

Mr. GREEN: Any amount in excess of the estimate would come out of the vote of the Department of Defence Production?

Hon. Mr. CHEVRIER: Yes.

The CHAIRMAN: Shall clause 3 carry?

Carried.

Clause 4.

4. Subject to the provisions of this Act and the approval of the Governor in Council, the Company may, in respect of the cost of the construction and completion of the railway line, issue notes, obligations, bonds, debentures or other securities (in this Act called "securities"), not exceeding in the aggregate the sum of ten million dollars, bearing such rates of interest and subject to such other terms and conditions as the Governor in Council may approve.

Mr. MURPHY: On clause 4 I just want to know if the amount mentioned concerning defence production enters the picture in this particular clause?

Hon. Mr. CHEVRIER: No, it does not. This \$10 million is for securities which the Canadian National Railways may issue, guaranteed by the government. It has nothing to do with the other \$4,725,000.

The CHAIRMAN: Shall clause 4 carry?

Carried.

Clause 5.

5. (1) To enable the work of construction and completion of the railway line to proceed forthwith, the Minister of Finance, upon application made to him by the Company and approved by the Minister of Transport, may,

with the approval of the Governor in Council, make temporary loans to the Company out of the Consolidated Revenue Fund, not exceeding ten million dollars, repayable on such terms and at such rates of interest as the Governor in Council may determine and secured by securities that the Company is authorized to issue under section four.

(2) Definitive securities may be issued, not exceeding ten million dollars, and guaranteed under the provisions of this Act, to repay loans made under subsection one, or any part thereof.

Mr. GREEN: This clause 5 is a new provision in a bill of this type, is it not?

Hon. Mr. CHEVRIER: No, it is not; it is almost identical to the other railway bill I referred to. It is put there in order to allow the railway to proceed immediately. For instance, if tenders were opened on the first of July the Minister of Finance would be authorized to give temporary loans to the Canadian National Railways to proceed with part of the work so that the contractor could be paid in part.

The CHAIRMAN: Shall clause 5 carry?

Carried.

Clause 6?

Carried.

Clause 7?

Carried.

Clause 8?

Carried.

Mr. MURPHY: Mr. Chairman, I was going to remark there is no reference in this Bill to the Department of Defence Production.

Hon. Mr. CHEVRIER: No.

Mr. MURPHY: There need not be?

Hon. Mr. CHEVRIER: No, the Department of Justice says that it need not be. The difference between the \$10 million and the \$14,725,000 is being covered by supplementary estimates which the Minister of Defence Production will introduce at the end of the session.

Mr. GREEN: May I ask a question on clause 7?

The CHAIRMAN: Reverting to clause 7.

7. (1) The proceeds of any sale, pledge, or other disposition of any guaranteed securities shall in the first instance be paid into the Consolidated Revenue Fund or shall be deposited to the credit of the Minister of Finance in trust for the Company, in one or more banks designated by him.

(2) The Board of Directors of the Company may authorize application to be made to the Minister of Transport for the release of any part of the proceeds deposited pursuant to subsection one, to the Company for the purpose of meeting expenditures in respect of the construction of the railway line, and the Minister of Transport may approve the applications, and upon the request of the Minister of Transport the Minister of Finance may pay the amount or amounts of such applications or part thereof accordingly.

Mr. GREEN: The first subsection provides that the proceeds of any sale of the guaranteed securities shall be paid into the Consolidated Revenue Fund or shall be deposited to the credit of the Minister of Finance in trust for the

Company. Why is it necessary for the railway to pay that money into the Consolidated Revenue Fund? Why is it not used in the second way, that is deposited in trust?

Hon. Mr. CHEVRIER: I do not know why the alternative was given but I presume that the temporary loans will come out of the Consolidated Revenue Fund and to that extent the money should be replaced by depositing it in the Consolidated Revenue Fund.

Mr. GREEN: It would depend on the amount that had been loaned?

Hon. Mr. CHEVRIER: Yes.

The CHAIRMAN: Shall clause 7 carry?

Carried.

Shall clause 9 carry?

9. The Company is not required to fence the right of way and station grounds of the railway line and is not liable in damages by reason only of the absence of fencing.

SCHEDULE

Location	Mileage	Estimates	
		Cost of Construction	Average cost per mile
From Sherridon to Lynn Lake, in the Province of Manitoba	155	\$ 14,725,000 00	\$ 95,000 00

Mr. GREEN: Mr. Chairman,—

The CHAIRMAN: We are allowing some leeway here today but when items have been carried we do not like to revert back.

Mr. GREEN: Here is a bill on which there is no contention. We are all trying to find out the facts.

The CHAIRMAN: Would you please state the clause you want information on?

Mr. GREEN: Well, you did call the clauses very quickly. Clause 9, for example, provides that the company is not required to fence the right of way and station grounds of the railway line and is not to be liable in damages by reason of the absence of fencing. Is that not an unusual provision in an Act?

Hon. Mr. CHEVRIER: I was wondering myself why it was put there and I am glad you asked the question. Perhaps Mr. Rosevear could help us.

Mr. ROSEVEAR: Mr. Chairman, the Minister, and gentlemen. I think that you will all realize that up in that country we have cariboo mostly and other wild creatures, and the company did not want to be under the usual obligation set out in the Railway Act to fence the line. Nor, do we feel in view of the special nature of this line that we should be under any obligation to pay damages because we did not fence it. That does not mean we can be negligent, but we are liable absolutely as insurers if we do not have a fence. We felt that up there nobody would be injured as it is not an agricultural country.

Mr. GREEN: Mr. Chairman, I do not think the company need worry about any damage suits by reason of running over cariboo, but it is going pretty far to write into a bill a special exemption which is unusual and does not apply in the ordinary case. There is no doubt that nearer the settlements in any event, there probably will be farms established and people will have cattle and I

should think that the onus should be left with the railway to the extent that if they believe in a certain part there is no danger, no likelihood of liability, then, of course they could take the chance themselves and not fence; but you provide here that they will not be liable even though they do not fence in a district where there are settlements. I think that is going too far and is setting a bad precedent for these railway bills. We are just really in the beginning of building these northern railways. I hope there will be more of them. Is it to be a general principle that the railways do not need to fence in the north country? I think that they should accept that responsibility of deciding whether it is advisable to build a fence or not and should not be given a statutory exemption.

Hon. Mr. CHEVRIER: I do not think there is any question of general policy in connection with exempting the railway from any liability. I think the committee will agree that in that isolated country it is not unwarranted to have a clause of this nature in the bill. Should settlements grow up, however, I think it would be wise for the Canadian National Railways to give consideration to fencing at least that part which is contiguous to a settlement. I presume they have made the investigation of their income position on the basis that there would be no fence, and to fence a railway of that nature 155 miles in length will add again to the cost and reduce the income position. Mr. Green, you asked a question with reference to clause 7, the deposit of the proceeds from the sale of the securities and you might care to hear a word from Mr. Rosevear about the alternative that is left in subsection (1) of this clause.

Mr. ROSEVEAR: Mr. Chairman, there are temporary loans obtained from the Minister of Finance from time to time which are of course repaid out of the proceeds of security issues, but as a general practice I would say that the Finance department does direct us to deposit the proceeds of security issues with chartered banks. Nevertheless, it has been the policy as long as we can remember to have the alternative described in the bill to pay the money into the Consolidated Revenue Fund if the minister so directs, and I would hesitate to change that because there might be an occasion when the minister might desire us to pay money into the Consolidated Revenue Fund although, as I said, our practice has been to pay it into chartered banks designated by the minister.

Mr. GREEN: Mr. Chairman, that is a very reasonable explanation. On this clause 9, I would also point out that it also includes station grounds; it is exempting the railway company from any liability if it does not fence station grounds. I would say that the clause should be deleted. I would move that the clause be deleted.

Hon. Mr. CHEVRIER: There are no stations on the line. What is the position at Sherridon now, Mr. Rosevear?

Mr. ROSEVEAR: There is no possibility of agriculture up there. I do not know whether it is possible for someone to have the odd cow or not. But those cows become quite valuable, Mr. Chairman, when they are hit by a locomotive. I was going to say this, that I think the railway's position should be made clear, not only will we not have it fenced but I think you could assume that nobody in that country is going to have a fence; whoever has animals will have them wandering all over the place. I feel we are not doing any serious injury to anybody because I do not think there will be any animals to speak of that will come into contact with locomotives except as I said, cariboo and deer and so on. I think the railway should be exempted from fencing. I think it is fair to exempt us from fencing and to leave the clause as it stands because if we do not fence, we are insurers—

Mr. GREEN: Why do you want that written in, "and station grounds"? There are to be 2,500 people at Lynn Lake, are there not?

Mr. ROSEVEAR: Of course, there is a provision in the Railway Act that requires us to fence in a thickly peopled area and if we do not fence our trains are limited to 10 miles an hour.

Mr. GREEN: This clause will get you away from that liability.

Mr. ROSEVEAR: I was going to say, Mr. Chairman, that the railway is less concerned about the station grounds than about the right of way. It is usually described as right of way and station grounds. I suppose that is how it was described in the Act, and that is how it got in here.

The CHAIRMAN: Mr. Green has made a motion.

Mr. GREEN: I would change my motion to delete the words "and station grounds".

The CHAIRMAN: Your motion would delete "and station grounds" instead of the entire clause?

Mr. MCGREGOR: Do I understand that if somebody did have a cow and that cow was killed by a locomotive they would have no action against the railway? Is that the situation?

Mr. ROSEVEAR: I do not think it is.

Mr. MCGREGOR: Is that the answer? The minister nodded I am right.

Mr. ROSEVEAR: Under the Railway Act the railway is an insurer of cattle in this way, that the Act provides that fences, gates and cattle guards must be sufficient to prevent animals getting on the track. Now, if an animal gets on the track the assumption is that the fencing is not sufficient. If the railway happens to remove that then the question becomes one of negligence. The question will be: Did the engineer fail to give any warning?

Hon. Mr. CHEVRIER: In other words, the common law remains as it is.

Mr. WEAVER: I think I can add a little information here that will enlighten the committee. Once you cross the Saskatchewan river there is no fencing on the railroads. There might be an exception as far as around Cranberry Portage goes as that is not actually in the Precambrian Shield. The Hudson Bay railway is 516 miles long and I do not believe there is any fencing along it. On the railway from Cranberry Portage to Sherridon at the present time there is no fencing and I do not know of any trouble that has been caused. Once you get into the Precambrian Shield a cow is just about as rare as it is in Ottawa, so I think the railway is justified in asking this exemption.

The CHAIRMAN: How about the stations, Mr. Weaver?

Mr. WEAVER: I cannot recall the stations being fenced either, but I may be wrong in that.

Hon. Mr. CHEVRIER: Are the stations fenced on the Hudson Bay railway, Mr. Fairweather?

Mr. FAIRWEATHER: Not to my knowledge.

Mr. HERRIDGE: Mr. Chairman, I must say that on this occasion I do not agree with Mr. Green in that fencing on this line is necessary. I think that fencing here would be an unnecessary expense. I notice in my own community, even with all the fencing and the cattle guards, even my own herd have learned to walk across the cattle guard and along the tracks for miles and I have always been under the impression that any animal killed on the railroad tracks there was my responsibility. My friend, Mr. Stuart, has some bright ideas and wanted to know if anything had been done to lessen the cost of fencing, or if anything had been done to use electric fencing for a few short lengths in the settled districts.

Hon. Mr. CHEVRIER: Dealing with the amendment, in view of the attitude taken by Mr. Rosevear, I can see no objection for deleting the words suggested by

Mr. Green. I do not think it is going to make any difference one way or the other. As far as I am concerned, as the minister responsible, I have no objection to consent to the deletion of the words "and station grounds".

The CHAIRMAN: All in favour of Mr. Green's motion?

Agreed.

Shall clause 9 as amended carry?

Carried.

Shall the schedule carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill as amended?

Agreed.

Thank you, gentlemen.

